

Financial Statements (Unaudited)  
Ideal Horizon Benefits, LLC dba Solar Titan USA  
*Year ended December 31, 2021*  
*with Independent Accountant's Compilation Report*

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Ideal Horizon Benefits, LLC dba Solar Titan USA

Financial Statements (Unaudited)

Year ended December 31, 2021

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## Independent Accountant's Compilation Report

Members  
Ideal Horizon Benefits, LLC

Management is responsible for the accompanying financial statements of Ideal Horizon Benefits, LLC dba Solar Titan USA, which comprise the balance sheet as of December 31, 2021, and the related statements of income and members' equity and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

June 1, 2022  
Knoxville, Tennessee

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Ideal Horizon Benefits, LLC dba Solar Titan USA

Balance Sheet (Unaudited)

December 31, 2021

**Assets**

Current assets:

Cash	\$ 2,461,003
Accounts receivable	3,272,236
Inventories	2,272,805
Prepaid expenses and other current assets	1,108,177
Total current assets	<u>9,114,221</u>

Property and equipment, net	1,204,742
Advances to Solar Titan Charters, LLC	2,746,144
Other assets	45,925
Total assets	<u><u>\$ 13,111,032</u></u>

**Liabilities and members' equity**

Current liabilities:

Accounts payable and accrued expenses	\$ 1,062,354
Contract liabilities	7,195,775
State income taxes payable	110,000
Current portion of long-term debt	165,211
Total current liabilities	<u>8,533,340</u>

Deferred tax liability	60,869
Long-term debt, less current portion	344,631
Total liabilities	<u>8,938,840</u>

Members' equity	4,172,192
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Total liabilities and members' equity	<u><u>\$ 13,111,032</u></u>
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*See Independent Accountant's Compilation Report and accompanying Notes to Financial Statements.*

Ideal Horizon Benefits, LLC dba Solar Titan USA

Statement of Income and Members' Equity

Year ended December 31, 2021

Revenue	\$ 41,618,526
Promotional discounts, returns and refunds	1,611,875
Costs of revenue	<u>20,635,216</u>
Gross profit	19,371,435
Operating expenses	<u>10,674,940</u>
Operating income	8,696,495
Other income (expense):	
Interest expense	(18,205)
Other income	117,832
Other expense	<u>(25,695)</u>
Net other income	<u>73,932</u>
Income before state taxes	8,770,427
Provision for state income tax expense:	
Current	64,799
Deferred	<u>60,869</u>
Provision for state income tax expense	125,668
Net income	<u>8,644,759</u>
Members' equity at beginning of year	422,597
Distributions	<u>4,895,164</u>
Members' equity at end of year	<u><u>\$ 4,172,192</u></u>

*See Independent Accountant's Compilation Report and accompanying Notes to Financial Statements.*

Ideal Horizon Benefits, LLC dba Solar Titan USA

Statement of Cash Flows

Year ended December 31, 2021

**Operating activities**

Net income	\$ 8,644,759
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	110,309
Provision for deferred state income tax	60,869
Net gain on disposal of property and equipment	(25,481)
Paycheck Protection Program loan forgiveness	(113,675)
Changes in operating assets and liabilities:	
Accounts receivable	(3,272,236)
Inventories	(1,933,900)
Prepaid and other assets	(1,102,188)
Accounts payable and accrued expenses	1,155,146
Contract liabilities	7,195,775
Net cash provided by operating activities	<u>10,719,378</u>

**Investing activities**

Purchases of property and equipment	(1,252,729)
Proceeds from disposals of property and equipment	27,159
Advances to Solar Titan Charters, LLC	(2,746,144)
Net cash used in investing activities	<u>(3,971,714)</u>

**Financing activities**

Principal payments on long-term debt	(140,509)
Proceeds on long-term debt	323,535
Distributions to members	(4,895,164)
Net cash used in financing activities	<u>(4,712,138)</u>

Net increase in cash	2,035,526
Cash at beginning of year	425,477
Cash at end of year	<u><u>\$ 2,461,003</u></u>

Ideal Horizon Benefits, LLC dba Solar Titan USA

Statement of Cash Flows (continued)

Year ended December 31, 2021

**Supplemental disclosure of cash flow information**

Cash paid for interest	\$	18,205
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*See Independent Accountant's Compilation Report and accompanying Notes to Financial Statements.*

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# Ideal Horizon Benefits, LLC dba Solar Titan USA

## Notes to Financial Statements (Unaudited)

December 31, 2021

### 1. Significant Accounting Policies

#### Description of Business

Ideal Horizon benefits, LLC dba Solar Titan USA (the Company) is engaged in the sale and installation of residential and commercial solar power panels in the southeastern United States.

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### Revenue Recognition

The Company's revenues are recognized when performance obligations under the terms of a contract with customers are satisfied; for all contracts this occurs when control of the promised goods have been transferred to customers. Contracts are generally fixed-price contracts and short-term in nature. Contracts are generally accounted for as a single performance obligation. The Company recognizes revenue over time, as its performance obligation is satisfied, due to the continuous transfer of control to the customer.

Accounts receivable represent amounts due from customers, or primarily their lenders, for performance obligations already completed but for which payment has not been received. The Company does not require collateral for accounts receivable. The Company analyzes the accounts and records an allowance for uncollectible accounts to reduce the receivable to the net estimated amount collectible, if necessary. Accounts are charged off to the allowance for uncollectible accounts as they are determined to be uncollectible based on the Company's knowledge of the accounts and management's review of the aging of the receivables outstanding. Credit losses, when realized, have been within the range of management's expectations. The Company has not assessed any outstanding accounts as uncollectible as of December 31, 2021. Accounts receivable were \$2,272,805 as of December 31, 2021. There were no accounts receivable as of January 1, 2021.

Contract liabilities are customer deposits and deferred revenues which represent payments received from customers in advance of services being performed. Contract liabilities were \$7,195,775 as of December 31, 2021. There were no contract liabilities as of January 1, 2021.



Ideal Horizon Benefits, LLC dba Solar Titan USA  
Notes to Financial Statements (Unaudited) (continued)

**1. Significant Accounting Policies (continued)**

**Revenue Recognition (continued)**

The Company recognizes revenues using the percentage-of-completion method, based primarily on contract costs incurred to date compared to total estimated contract costs. The percentage-of-completion method (an input method) is the most representative depiction of the Company's performance because it directly measures the value of the services transferred to the customer.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, insurance, tools, repairs, equipment rental, and depreciation. Operating costs are generally charged to expense as incurred.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and revenues and are recognized in the period in which the revisions are determined as assessed at the contract level. Because of the inherent uncertainties in estimated costs, revenues, and contract claims, it is at least reasonably possible the estimates used will change in the near term.

**Inventories**

The Company values inventories at the lower of cost and net realizable value, using the weighted average cost method.

**Property and Equipment**

Property and equipment is stated at cost. Major renewals and improvements are capitalized, while replacements, maintenance, and repairs which do not improve or extend the life of the respective assets are expensed as incurred. Depreciation is provided for over the respective useful lives of the assets using the straight-line method. The estimated lives of the property and equipment generally range from 5 to 15 years.

**Income Taxes**

The Company is organized as a limited liability company, and the members are taxed individually for their proportionate share of the Company's federal taxable income. Accordingly, no provision for federal income taxes has been included in the accompanying financial statements. The Company is a taxable entity for state purposes in certain states (*Note 7*). The Company reports tax-related interest and penalties, if any, as a component of state income tax expense.

**Advertising**

Advertising costs are expensed as incurred and totaled \$3,894,579 in 2021.

Ideal Horizon Benefits, LLC dba Solar Titan USA  
Notes to Financial Statements (Unaudited) (continued)

**1. Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, contract revenue, including any contract assets or contract liabilities, and other contingent liabilities. Actual results could differ from those estimates.

**Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. ASU 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability, and additional qualitative and quantitative disclosures. ASU 2016-02 is effective for the Company in fiscal year 2022. The Company is currently assessing the effect this new standard will have on its financial statements.

**Subsequent Events**

In preparation of the accompanying financial statements, management has evaluated subsequent events that have occurred through June 1, 2022, the date the financial statements were available for issuance.

**2. Inventories**

Inventories consist of the following as of December 31, 2021:

Panels	\$ 548,681
Inverters	379,584
Batteries	365,597
Pipes	58,019
Wire and fitting	920,924
Total inventories	<u>\$2,272,805</u>

Ideal Horizon Benefits, LLC dba Solar Titan USA  
Notes to Financial Statements (Unaudited) (continued)

**3. Property and Equipment**

Property and equipment consist of the following as of December 31, 2021:

Office equipment and furniture	\$ 66,505
Leasehold improvement	22,052
Equipment	66,351
Vehicles	1,636,793
	<u>1,791,701</u>
Less accumulated depreciation	(586,959)
Net property and equipment	<u>\$1,204,742</u>

**4. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following as of December 31, 2021:

Accounts payable	\$ 328,070
Inventory vendor payable	463,368
Credit cards payable	246,559
Other	24,357
Total accounts payable and accrued expenses	<u>\$1,062,354</u>

**5. Long-Term Debt**

The Company's total long-term debt consists primarily of vehicle notes payables with interest rates ranging from 1.90% to 9.19% per year that require monthly payments and mature through 2027.

Aggregate maturities of the Company's long-term debt are as follows as of December 31, 2021:

2022	\$ 165,211
2023	159,239
2024	74,559
2025	47,415
2026	47,324
Thereafter	16,094
Total long-term debt	<u>\$ 509,842</u>

Interest expense totaled \$18,205 for 2021.

## Ideal Horizon Benefits, LLC dba Solar Titan USA

### Notes to Financial Statements (Unaudited) (continued)

#### 6. Operating Leases

The Company leases certain equipment and warehouse and office space under operating lease agreements, which include certain options to renew at maturity. Rent expense for the Company totaled approximately \$283,000 during 2021. As of December 31, 2021, future minimum lease payments, excluding common area maintenance, relating to operating leases are as follows:

2022	\$ 536,700
2023	556,350
2024	593,047
2025	605,046
2026	539,349
Total minimum lease obligations	<u>\$2,830,492</u>

#### 7. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for state income tax purposes. Significant components of the Company's deferred tax liabilities are as follows as of December 31, 2021:

Deferred tax liabilities:	
Prepaid expenses	\$ 30,664
Depreciation	30,205
Total deferred tax liabilities	<u>\$ 60,869</u>

The Company is subject to examination by state jurisdictions for tax years since 2018.

#### 8. Related Party Transactions

During 2021, the Company advanced \$2,746,144 to Solar Titan Charters, LLC, an entity owned by a member of the Company. The advances are uncollateralized and non-interest bearing.

#### 9. PPP Loan

During 2020, the Company was approved for a loan of \$113,675 as part of the Paycheck Protection Program (PPP) from the Small Business Administration (SBA), as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act. The PPP loan was unsecured, had a term of two years, and bore interest at an annual rate of 1%. Under the terms of the CARES Act, the Company is eligible to apply for loan forgiveness for all or a portion of the PPP loan subject to certain qualifications. During 2021, the Company received full loan forgiveness and accordingly, has recognized the entire amount in other income in the accompanying Statement of Income and Members' Equity.

Ideal Horizon Benefits, LLC dba Solar Titan USA  
Notes to Financial Statements (Unaudited) (continued)

**10. Risk Concentrations**

Approximately 89% of the accounts receivable as of December 31, 2021 is due from one lender (*Note 1*). The Company purchased more than 90% of materials and supplies from one vendor in 2021.

**11. Backlog**

The Company's backlog represents the amount of revenues the Company expects to realize from work to be performed on uncompleted contracts in progress as of December 31, 2021, and from contractual agreements on which work has not yet begun. Backlog represented by signed contracts in existence as of December 31, 2021, is approximately \$[REDACTED].

**12. Contingencies**

During the ordinary course of business, the Company is subject to various disputes and claims pertaining to contracts, and there are uncertainties surrounding the ultimate resolution of these matters. Because of these uncertainties, it is at least reasonably possible the amounts recorded will change within the near term.